

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05  
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R 271640Z JUL 78  
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DOE WASHDC  
ANCONSUL FLORENCE 3223  
AMCONSUL GENOA  
AMCONSUL MILAN  
AMCONSUL NAPLES  
AMCONSUL PALERMO

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E.O. 11652: NA  
TAGS: TECH ENRG IT  
SUBJECT: ITALIAN DRAFT LEGISLATION ON SOLAR ENERGY

REF: (A) 77 ROME 16789, (B) ROME 4960

SUMMARY: MINISTER OF INDUSTRY DONAT-CATTIN ANNOUNCED  
JUNE 15 AT THE GENOA SOLAR ENERGY EXHIBITION AND FAIR (HELD  
JUNE 15-18 AND ATTENDED BY DOE DEPUTY SECRETARY O' LEARY) THE  
SUBMISSION OF DRAFT LEGISLATION ON SOLAR ENERGY TO THE  
ITALIAN COUNCIL OF MINISTERS. THE PROPOSAL WHICH WOULD BE  
SUBMITTED TO PARLIAMENT AFTER COUNCIL APPROVAL AIMS TO  
EXPAND THE ITALIAN MARKET FOR SOLAR ENERGY EQUIPMENT THROUGH  
TAX INCENTIVES AND GOVERNMENT-INDUCED PURCHASE (BY ENEL THE  
STATE ELECTRIC POWER COMPANY) AND TO INCREASE PUBLIC EXPENDITURE  
ON SOLAR ENERGY RESEARCH AND DEVELOPMENT.  
BOTH THE CHRISTIAN DEMOCRAT (DC) AND COMMUNIST  
PARTIES (PCI) ARE SUPPORTERS OF THE BILL.  
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1. IN HIS SPEECH DONAT-CATTIN PREDICATED RATHER  
OPTIMISTICALLY THAT SOLAR POWER WOULD SUPPLY 7-10  
PERCENT OF ITALY'S TOTAL ENERGY NEEDS BY THE YEAR 2000.  
HE STRESSED THE IMPORTANCE OF FURTHERING DOMESTIC  
RESEARCH AND DEVELOPMENT IN THE SOLAR TECHNOLOGIES TO MEET  
THIS GOAL. THE NEW LEGISLATION, HE NOTED IS ALSO

FULLY CONSISTENT WITH THE ANNOUNCED ITALIAN GOVERNMENT POLICY (AS EVIDENCED BY THE NATIONAL ENERGY PLAN PASSED IN OCTOBER 1977 (REFTEL A) AND THE INTERMINISTERIAL COMMITTEE FOR ECONOMIC PLANNING (CIPE) DIRECTIVES PROCLAIMED IN DECEMBER 1977 (REFTEL B) OF DIVERSIFYING ITALIAN ENERGY SUPPLIES THROUGH INCREASED PRODUCTION OF INDIGENOUS ENERGY RESOURCES.

2. IN GENERAL TERM DONAT-CATTIN'S PROPOSAL IS BASED ON MOVING ITALIAN RESEARCH EFFORTS FROM THE PROTOTYPE STAGE TO MORE PRACTICAL APPLICATIONS, PARTICULARLY IN BUILDING TECHNOLOGIES HEATING AND COOLING AND AGRICULTURAL APPLICATIONS AND DIRECT ELECTRICITY PRODUCTION. THE DRAFT LEGISLATION AIMS TO MAKE SOLAR ENERGY INSTALLATIONS MORE PRICE COMPETITIVE WITH CONVENTIONAL ENERGY SOURCES THROUGH (1) GREATER TECHNOLOGICAL DEVELOPEMENT; (2) MORE PUBLIC INVESTMENT; AND (3) LARGER FINANCIAL INCENTIVES.

3. THE MINISTRY OF INDUSTRY PROPOSAL AUTHORIZES A DOLLAR 105 MILLION EXPENDITURE OVER A FOUR YEAR PERIOD FOR SOLAR ENERGY RESEARCH AND DEVELOPMENT (APPROXIMATELY DOLLAR 7 MILLION IN 1978, 28 MILLION IN 1979, 35 MILLION IN 1980 AND 1981). THESE FUNDS WOULD BE USED IN THE FOLLOWING AREAS: (1) LOW TEMPERATURE TECHNOLOGIES FOR HEATING/COOLING REFRIGERATION, AND AGRICULTURAL APPLICATIONS; LIMITED OFFICIAL USE

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(2) HIGH TEMPERATURE TECHNOLOGIES FOR INDIRECT PRODUCTION OF ELECTRICITY; (3) PHOTOVOLTAIC CONVERSION, PRINCIPALLY BY REALIZING COST SAVINGS THROUGH LOWER PRODUCTION COSTS. THE DRAFT BILL CALLS FOR MUCH OF THE RESEARCH TO BE DONE THROUGH A CONSORTIUM OF PUBLIC AND PRIVATE COMPANIES UNDER THE LEADERSHIP OF THE NATIONAL COMMITTEE FOR NUCLEAR ENERGY (CNEN). DONAT-CATTIN PROPOSES THAT CNEN'S MANDATE BE EXPANDED TO INCLUDE SOLAR ENERGY IN ORDER THAT IT COULD COORDINATE ALL SOLAR ENERGY RESEARCH ACTIVITIES.

4. THE OTHER MAJOR ASPECT OF DONAT-CATTIN'S PROPOSAL IS TO PROVIDE TAX INCENTIVES FOR CONSUMERS WHO INSTALL SOLAR ENERGY SYSTEMS FOR THEIR HOUSEHOLDS OR BUILDINGS. ALTHOUGH DETAILS STILL MUST BE WORKED OUT, THE PROPOSAL RECOMMENDS TOTAL EXEMPTION FROM THE VALUE-ADDED TAX ON SOLAR ENERGY EQUIPMENT AND PARTIAL DEDUCTIONS FROM TAXABLE INCOME FOR INSTALLATION COSTS.

5. PRELIMINARY DISCUSSIONS IN THE COUNCIL OF MINISTERS ON THE DRAFT LEGISLATION HAVE ALSO RAISED

THE FOLLOWING CONSIDERATION. ENEL, THE STATE ELECTRIC POWER AGENCY IS CURRENTLY COMMITTED TO PROVIDE ELECTRICITY TO APPROXIMATELY 5000,000 NON-ELECTRIFIED RURAL HOUSEHOLDS. GIVEN THE HIGH COST OF CONNECTING THESE HOUSEHOLDS WITH ONLY CONVENTIONAL POWER SOURCES ESTIMATED AT DOLLARS 8000 PER CUSTOMER, ENEL COULD PROVIDE SOLAR INSTALLATIONS, OR AT LEAST THERMOELECTRIC INSTALLATIONS INTEGRATED WITH SOLAR COLLECTORS TO SERVICE THESE CUSTOMERS. IT IS ESTIMATED THAT THESE SOLAR INSTALLATIONS WOULD BE PRICE COMPETITIVE WITH WHOLLY CONVENTIONAL POWER SOURCES AND IN THE LONG RUN HELP TO REDUCE THE DEMAND ON CONVENTIONAL ENERGY SUPPLIES.

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6. IN DISCUSSIONS WITH THE AMBASSADOR JULY 26, DONAT-CATTIN ASSERTED THAT HE HAD OBTAINED TREASURY CLEARANCE FOR THE PROPOSED EXPENDITURES LISTED PARA 3 ABOVE AND THAT HE DID NOT EXPECT ANY SIGNIFICANT OPPOSITION EITHER WITHIN COUNCIL OF MINISTERS OR PARLIAMENT. GARDNER

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